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SUBJECT: Argentina: Pan American Energy on Bolivian Nationalization  
of Empresa Petrolera Chaco

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distribution.

**¶1.** (SBU) Dennis Keleher, CFO of Pan American Energy, called Ambassador January 26 to inform him that no/no U.S. citizens were involved in the January 23 Bolivian government take-over of Empresa Petrolera Chaco SA (Chaco). He said only one UK national had been present at the takeover, that all other expatriate employees are safe and at their residences in Bolivia, and that Chaco is currently being run by YPF Bolivia employees.

**¶2.** (SBU) Keleher said that Bolivian soldiers and officials showed up at Chaco's offices and gas fields last week and that employees were made to sign over the remaining ownership shares to the Government of Bolivia. Pan American/Chaco, he said, had been negotiating with the GoB to ensure preservation of asset value as ownership was transferred. Pan American believes, he said, that YPF Bolivia does not have the capacity to manage the gas fields and to run the company without significant deterioration of performance, and it was trying to negotiate a transition processes which would take that into account. Keleher said that the earlier Bolivian government decree nationalizing the company states that the shares are valued at \$29 each, but that it also indicates that tax and other liabilities will be taken into account, i.e. any GoB payout will likely be much lower. Keleher did not ask for Embassy assistance.

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PAE Ownership  
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**¶3.** (SBU) Pan American Energy (PAE) was incorporated 1997 in Delaware as a strategic alliance between Amoco (now BP America) and Argentina's Bulgheroni family-owned Bridas, incorporating all Bridas oil and gas properties in the Southern Cone. BP America holds a 60% and Bridas a 40% interest in the company. In 2001, BP America and Bridas added their 50% stake in Bolivia's exploration and production company Empresa Petrolera Chaco SA to PAE holdings. Under its joint venture agreement, BP America appoints the PAE CEO and CFO while Bridas appoints the COO.

**¶4.** (SBU) PAE's partial local ownership and its aggressive expansion of Argentine oil and gas exploration and production in an era where overall Argentine hydrocarbon production has trended steadily downward has made this company a favorite of the Kirchner administration. The U.S. Department of Commerce Advocacy Center has previously declined to take up advocacy on behalf of PAE as a U.S. entity, but BP owns its majority stake in PAE through its U.S. BP subsidiary.

WAYNE